

**ANNUAL USE OF CAPITAL SURVEY - 2009****NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

International Bancshares Corporation

Person to be contacted regarding this report:	Julie Tarvin
CPP Funds Received:	\$216,000,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	12/23/2008
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	1104231
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	
City:	Laredo
State:	Texas

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	The TARP funds enhanced the Company's ability to make new loans and renew loans.
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<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	The Company was able to increase the real estate mortgage and commercial loan portfolio.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The Company's lead bank initially purchased MBS to provide immediate support to the mortgage industry. The bank has also purchased municipal securities to support economic growth in the related communities.
<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	

<input checked="" type="checkbox"/>	Reduce borrowings	As cash flow was received through paydown and sale of the securities , management de-leveraged the Company by reducing borrowings.
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	The reduction in borrowings increased the capital cushion of the Company. The capital cushion facilitates the ability of the Company to manage risks associated with the uncertain economic environment as well as unanticipated losses that may occur.

What actions were you able to avoid because of the capital infusion of CPP funds?

The Company formed a new liquidating subsidiary to facilitate and centralize the management and disposal of foreclosed properties and troubled debt obtained from the bank subsidiaries of the Company. The CPP funds allowed the Company to fund the new liquidating subsidiary directly without the need for dividends from the subsidiary banks and this structure helped to preserve the capital of the subsidiary banks. The purchase of the bank subsidiary's troubled debt by the liquidating subsidiary also allowed for continued lending at the bank subsidiary since capital remained strong and troubled debt was reduced.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The purchase of foreclosed properties and troubled debt from the lead bank by the newly formed liquidating subsidiary of the Holding Company enhanced the capital position of the lead bank. The enhanced capital position at the lead bank facilitated lending and investment activities of the lead bank.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

The Holding Company used \$50 million of the TARP funds to make a capital injection into the lead bank subsidiary to support the lending and investment activities .